

Message Text

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PAGE 01 MONROV 02919 011239 Z

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ACTION SS-25

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FM AMEMBASSY MONROVIA

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EXDIS

E. O. 11652: NBA

TAGS: EFIN, LI

SUBJECT: GOL MAY SEEK LOAN FOR WOLOGISI

FOR AF - AMBASSADOR MANFULL

1. CHARLES BILLMYER, BANK OF AMERICA (BOA) AFRICAN REP
WHO RESIDENT LONDON, TOLD CHARGE MAY 25 IN STRICTEST
CONFIDENCE THAT GBL APPARENTLY IS CONSIDERING A

100 MILLION EURO- DOLLAR LOAN TO GET WOLOGISI IRON- ORE
PROJECT STARTED. (LISCO PRESIDENT DETWILER' S LAST KNOWN
PROJECTION FOR PROJECT' S COST TOTAWED ABOUT \$600 MILLION.)
BILLMYER, WHO WAS HERE ON ONE OF HIS PERIODIC AFRICAN TRIPS,
SAID HE HAD BEEN APPROACHED BY GOL ASSISTANT FINMIN ELLEN
SIRLEAF WHO ASKED IF BOA WOULD BE PREPARED TO ASSIST GOL
IN ATTEMPTING TO FLOAT SUCH A LOAN. BILLMYER WAS, OF
COURSE, UNABLE COMMIT HIS PRINCIPALS, BUT WAS OBVIOUSLY
INTERESTED IN THE PROPOSAL.

2. HE ASKED CHARGE WHAT REPUTATION LIBERIA HAD FOR
FINANCIAL RESPONSIBILITY. CHARGE REPLIED THAT GOL HAS
OVER THE LAST NUMBER OF YEARS RECEIVED HIGH MARKS FROM
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PAGE 02 MONROV 02919 011239 Z

THE IMF FOR FINANCIAL RESPONSIBILITY AND IN MEETING ITS
INTERNATIONAL FINANCIAL COMMITMENTS.

3. COMMENT: INTERESTING THAT GOL APPROACHED BOA WHICH IS
REPRESENTED HERE ONLY ON CORRESPONDENT BASIS WITH CHASE
MANHATTAN. THREE OTHER LARGE AMERICAN BANKS HAVE PHYSICAL
PRESENCE IN LIBERIA AND ALL PRESUMABLY EQUALLY QUALIFIED
TO ADVISE: FIRST NATIONAL CITY (BANK OF MONROVIA); CHEMICAL
(BANK OF LIBERIA); AND CHASE. MAY BE THAT GOL CONCLUDED
IT WOULD BE BETTER TO SEEK ASSISTANCE OF COMPLETELY
"NEUTRAL" BANK WITH NO LOCAL AX TO GRIND IN HELPING TO
PUT TOGETHER SUCH A LARGE PIECE OF FINANCING.

4. IF, IN FACT, LOAN FLOATED, WOULD RESULT IN MAJOR
INCREASE SIZE GOL EXTERNAL DEBT WHICH NOW STANDS AT
AROUND \$185 MILLION AND WHOSE SERVICE REQUIRES APPROXIMATELY
ONE-THIRD OF DOMESTIC REVENUE. PRESUMABLY IMF WOULD
HAVE TO BE CONSULTED AND WOULD NOT BE ENTHUSIASTIC AT
RADICAL ADDITION LIBERIA'S DEBT SERVICE BURDEN WHICH HAD
BEEN PROJECTED TO DECLINE SIGNIFICANTLY AFTER MID-70'S.
ON OTHER HAND, IF IT REALLY MAKES ECONOMIC SENSE TO PROCEED
WITH WOLOGISI AT THIS TIME, DIRECT DEBT SERVICE EFFECT ON
GOL WOULD BE ATTENUATED.

5. IF GOL SERIOUSLY CONSIDERING THIS LOAN, WE CAN ONLY
SPECULATE WHAT, IF ANYTHING, SUCH AN ACTION ON PART OF
GOL MIGHT MEAN TO LISCO'S CONCESSION RIGHTS TO WOLOGISI. R
ON THE ONE HAND, GOL COULD BE CONSIDERING WITHDRAWING
LISCO'S RIGHTS BECAUSE OF NON-TIMELY FULFILLMENT CERTAIN
CONDITIONS. ALTERNATIVELY, MRS. SIRLEAF MAY BE THINKING
OF USING GOL AS BORROWER OF FIRST INSTANCE TO RELEND TO
OR ACQUIRE EQUITY IN LISCO OR TO GUARANTEE LOAN MADE
DIRECTLY TO COMPANY.

6. FINALLY IF GOL DOES PARTICIPATE IN FINANCING NEEDED
CAPITAL INVESTMENT FOR WOLOGISI, IT WOULD BE SHARP
BREAK WITH PREVIOUS PRACTICE HERE VIS-A-VIS OTHER
CONCESSIONAIRES. WOULD ALSO BE CONTRARY OUR UNDERSTANDING
EXISTING LISCO CONCESSION AGREEMENT IN WHICH THE
CONCESSIONAIRE (LISCO) UNDERTAKES RESPONSIBILITY FOR
TOTAL FINANCING PROJECT. GAMON
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PAGE 03 MONROV 02919 011239 Z

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